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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re:

HIGHLAND STREET GROUP, LLC

Debtor.

Bankruptcy No. BK-S-09-27639-MKN
Chapter 11

Hearing Date: March 17, 2010
Hearing Time: 9:30 a.m.

**DECLARATION OF AUDREY KANTHACK IN SUPPORT OF MOTION FOR ORDER
SUBSTANTIVELY CONSOLIDATING CASES OR, IN THE ALTERNATIVE, JOINT
ADMINISTRATION**

I, AUDREY KANTHACK, hereby declare as follows:

1. I am the Chief Financial Officer for Resort Entertainment Companies, LLC (“REC”). REC offices are located at 3855 South Jones Boulevard, Suite 102, Las Vegas, Nevada. I make this declaration in support of the Motion for Substantive Consolidation or, in the Alternative, Joint Administration, filed in this Court in Cases *In re Highland Street Group, LLC*, Case No. 09-27639-MKN and *In re Sutter Street Investments, LLC*, Case No. 09-33762. I have personal knowledge of the facts set forth herein and I am competent to testify regarding them if called as a witness in this matter.

2. I have been employed with REC as its CFO for approximately six and a half (6.5) years and I am responsible for maintaining the finances for REC and other entities that are managed by REC, of which Highland Street Group, LLC (“Highland”) and Sutter Street Investments, LLC (“Sutter”) (collectively the “Debtors”) are included. The other companies managed by REC include Merlin’s Highland LLC (“MH”), which is 50% owner of Highland and Mid Valley Enterprises, LLC (“Non-Debtor Entities”).

1 3. Highland owns 100% of Sutter and, as stated above, MH owns 50% of Highland,
2 the other 50% ownership of Highland is identified in its Statement of Financial Affairs, item 21.
3 *See In re Highland Street Group, LLC*, Case No. 09-27639, Docket No. 19, p. 21.

4 4. Highland is the owner of real property located at 2580 Highland Drive, Las
5 Vegas, Nevada (APN 162-09-110-021) and 2850 Highland Drive, Las Vegas, Nevada (APN
6 162-09-110-035) (collectively "Real Property"). Sutter is the operator of an adult cabaret
7 business, which is located on the Real Property. The purpose for establishing two separate
8 entities for the ownership of the Real Property and the operation of the business was to limit
9 liability exposure for the ownership of the Real Property. Although the Debtors are separate
10 Nevada limited liability companies, they act in concert with one another, each derive their
11 income from the proceeds of the business.

12 5. Although the Debtors each own separate bank accounts, they have commingled
13 the payments to each other creditors. Over the course of the past several years Highland has
14 received, at various times, capital contributions from its members for the purpose of payment of
15 its obligations, but also of Sutter obligations, such as liability insurance, employee wages and
16 utilities. Additionally, Sutter has made payment to Highland's creditors, such as, payment for
17 property taxes and lease obligations. For the first several years that Highland/Sutter owned the
18 Real Property and operated the adult cabaret, the business was profitable. Recently, however
19 Sutter's operation of the adult cabaret has resulted in losses and members of Highland have been
20 forced to infuse capital to keep the business viable. These financial struggles and corresponding
21 commingling has occurred over the past several years as the economy began to worsen, and in
22 part, due to the "cab wars." The payment of the Debtors' creditors was determined not by which
23 entity owed a particular debt, but rather which entity had sufficient available funds for said
24 payments.

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